

The Business NZ Performance of Services Index (Business NZ PSI) is a monthly survey of the services sector providing an early indicator of activity levels. A PSI reading above 50 points indicates services activity is expanding; below 50 indicates it is contracting.

psi

## Service sector shows strong pick up in expansion

### Business NZ PSI for August 2007

- The fifth monthly Business NZ Performance of Service Index (PSI) stood at 59.4 for August. The result was the highest since the survey began in April, and 0.9 points more than the previous top result recorded in May (58.5).
- All five diffusion indices that make up the PSI exhibited expansion in August. *New orders/business* (65.4) was again the leading index, although showing the second lowest result when compared with previous months. *Activity/sales* (63.5) recorded its highest value, as did *supplier deliveries* (56.5) and *employment levels* (54.4).
- Activity was again very similar across most parts of the country, with only 1.7 points separating the top and bottom values. The Northern region (59.9) continued to display the highest level of expansion for the month.
- Most service sectors showed expansion during August, led by *wholesale trade* (62.6). *Health & community services* (61.1) were in second place, while *property & business services* (57.6) continued to slip in terms of rankings. At the other end, *accommodation, cafes & restaurants* (53.1) showed the lowest level of expansion, although improved from the previous three months.
- The number of negative and positive comments relating to activity for August was almost identical to July (52.7% positive compared with 47.3% negative). Compared with the same time last year, activity for those with negative comments for the current month had an average score of 3.2\*, compared with 2.1 for those enjoying positive activity at present. Overall, the national result for activity compared with 2006 stood at 2.6, slightly down from 2.7 in July.
- Negative comments tended to focus on interest rates and a lack of unskilled labour. Positive comments were varied, although seasonal factors were now starting to occur, as well as some increases in customer base.

### HIGHLIGHTS

**Activity level for the service sector stood at 59.4 for August, up 4.2 points from July.**

***New orders/business (65.4) was again the leading index, although showing the second lowest result when comparing previous months.***

**Activity was strong and consistent throughout the country.**

**Availability of unskilled labour, interest rates and strengthening the customer base were the main issues for those in the service sector during August.**

**Next Business NZ PSI: 15 October 2007**

### PARTICIPANTS

Business NZ gratefully acknowledges the participation of the following associations in contributing to the PSI:

- Employers & Manufacturers Association (Northern)
- Employers & Manufacturers Association (Central)
- Canterbury Employers' Chamber of Commerce
- Otago Southland Employers Association
- Hospitality Association of New Zealand
- New Zealand Retailers Association
- Tourism Industry Association New Zealand

| National Indexes       | May 2007    | June 2007   | July 2007   | Aug 2007    |
|------------------------|-------------|-------------|-------------|-------------|
| <b>Business NZ PSI</b> | <b>58.5</b> | <b>57.8</b> | <b>55.2</b> | <b>59.4</b> |
| Activity/Sales         | 62.4        | 61.1        | 56.4        | 63.5        |
| Employment             | 51.2        | 53.8        | 51.7        | 54.4        |
| New Orders/Business    | 67.8        | 66.1        | 61.8        | 65.4        |
| Stocks/Inventories     | 49.5        | 47.2        | 49.4        | 50.6        |
| Supplier Deliveries    | 55.3        | 54.7        | 51.9        | 56.5        |

| Regional Indexes       | May 2007    | June 2007   | July 2007   | Aug 2007    |
|------------------------|-------------|-------------|-------------|-------------|
| <b>Business NZ PSI</b> | <b>58.5</b> | <b>57.8</b> | <b>55.2</b> | <b>59.4</b> |
| Northern               | 57.0        | 57.2        | 57.6        | 59.9        |
| Central                | 65.5        | 63.1        | 55.3        | 58.2        |
| Cant/Westland          | 60.3        | 57.2        | 49.1        | 59.4        |
| Otago/Southland        | 57.6        | 55.8        | 55.9        | 58.4        |

\* Respondents are asked for a score from 1-5, where 1= large rise and 5= large fall.